

throughout which the program is found to be in substantial compliance with such requirements by—

"(i) not less than 1 nor more than 2 percent;

"(ii) not less than 2 nor more than 3 percent.

if the finding is the 2nd consecutive such finding made

as a result of such a review: or

"(iii) not less than 3 nor more than 5 percent.

if the finding is the 3rd or a subsequent consecutive such finding made as a result of such a review.

"(B) DISREGARD OF NONCOMPLIANCE WHICH IS OF A TECHNICAL NATURE.—For purposes of subparagraph (A) and section 403(a)(4), a State which is not in full compliance with the requirements of this part shall be determined to be in substantial compliance with such requirements only if the Secretary determines that any noncompliance with such requirements is of a technical nature which does not adversely affect the performance of the State's program operated under part D.

"(9) FAILURE TO COMPLY WITH 5-YEAR LIMIT ON ASSISTANCE.—If the Secretary determines that a State

has not complied with section 408(a)(1)(B) during a fiscal year, the Secretary shall reduce the grant payable to the State

under section 403(a)(1) for the immediately succeeding fiscal

year by an amount equal to 5 percent of the State family assistance grant.

"(10) FAILURE OF STATE RECEIVING AMOUNTS FROM CONTINGENCY FUND TO MAINTAIN 100 PERCENT OF HISTORIC EFFORT.—

If, at the end of any fiscal year during which amounts from the Contingency Fund for State Welfare Programs have been paid to a State, the Secretary finds that the expenditures

under the State program funded under this part for the fiscal

year (excluding any amounts made available by the Federal

Government) are less than 100 percent of historic State

expenditures (as defined in paragraph (7)(B)(iii) of this sub-

section), the Secretary shall reduce the grant payable to the

State under section 403(a)(D) for the immediately succeeding

fiscal year by the total of the amounts so paid to the State.

"(11) FAILURE TO MAINTAIN ASSISTANCE TO ADULT SINGLE CUSTODIAL PARENT WHO CANNOT OBTAIN CHILD CARE FOR

CHILD UNDER AGE 6.—

"(A) IN GENERAL.—If the Secretary determines that

a State to which a grant is made under section 403 for

a fiscal year has violated section 407(e)(2) during the fiscal

year, the Secretary shall reduce the grant

navable to the  
State under section 403(a)(1) for the  
immediately succeeding  
fiscal year by an amount equal to not  
more than 5  
percent of the State family assistance grant.

"(B) PENALTY BASED ON SEVERITY OF FAILURE.—

The  
Secretary shall impose reductions under  
subparagraph (A)  
with respect to a fiscal year based on the  
degree of non-  
compliance.

"(12) FAILURE TO EXPEND ADDITIONAL STATE  
FUNDS TO

REPLACE GRANT REDUCTIONS.—If the grant navable

to a State  
under section 403(a)(1) for a fiscal year is  
reduced by reason  
of this subsection, the State shall, during the  
immediately

succeeding fiscal year, expend under the State  
program funded  
under this part an amount equal to the total  
amount of such  
reductions.